

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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| ADVANCED ANALYTICS, INC., | : | |
| | : | No. 04 Civ. 3531 (LTS) (HBP) |
| Plaintiff, | : | |
| | : | |
| v. | : | |
| | : | |
| CITIGROUP GLOBAL MARKETS, INC. f/k/a | : | |
| SALOMON SMITH BARNEY, INC., and THE YIELD | : | |
| BOOK INC., f/k/a SALOMON ANALYTICS, INC., | : | |
| | : | |
| Defendants. | : | |
| ----- | X | |

DECLARATION OF RICHARD A. ISENBERG

Pursuant to 28 U.S.C. § 1746, Richard A. Isenberg declares:

2. The Yield Book is a tool that is used by CGMI for two principal functions: portfolio analysis and individual security analysis. Portfolio analysis is utilized by the trading desks to assess risk exposures of their trading positions and compute model based valuations. In a typical day, the portfolio analysis would commence at the close of business and would compute overnight. The traders would review the results in the morning and make appropriate adjustments to the model valuations and/or their hedges. Individual security analysis would be used by traders, including traders of mortgage backed securities ("MBS") to analyze individual securities and establish initial model-based valuations. These model valuations would typically be adjusted to reflect market conditions and known model discrepancies to arrive at a tradable price.

6. For agency CMO MBS, The Yield Book is used to generate model-based valuations. These model-based valuations create an initial valuation that is adjusted by the trader for current market conditions and any known deficiencies in the model, such as model-based prepayment projections not matching expectations. The trader combines the model-based valuation and any adjustments to determine a tradable price.